

**REPORT OF THE AUDIT OF THE  
FORMER CALLOWAY COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2001**



**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**  
**[www.kyauditor.net](http://www.kyauditor.net)**

**144 CAPITOL ANNEX  
FRANKFORT, KY 40601  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912**



**EXECUTIVE SUMMARY**

**AUDIT EXAMINATION OF THE  
FORMER CALLOWAY COUNTY SHERIFF**

**For The Year Ended  
December 31, 2001**

The Auditor of Public Accounts has completed the former Calloway County Sheriff's audit for the year ended December 31, 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The former Sheriff's office had excess fees of \$1,649 for 2001. On February 13, 2002, the former sheriff paid fiscal court \$90. Additional excess fees of \$1,559 are still due to the fiscal court from the former Sheriff. Excess fees decreased \$2,539 from the prior year. Receipts increased by \$15,961 from the prior year and disbursements increased by \$18,500.

**Report Comments:**

- The Former Sheriff Had A Deficit Of \$5,127 In His Official Fee Account As Of December 31, 2001
- The Calloway County Ethics Board Should Review Financial Transactions Made By The Former Sheriff With His Deputies
- The Former Sheriff Should Have Paid Invoices In A Timely Manner
- Lacks Adequate Segregation Of Duties

**Deposits:**

The former Sheriff's deposits were insured and collateralized by bank securities or bonds.



## CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT .....	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES .....	3
NOTES TO FINANCIAL STATEMENT .....	6
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS .....	10
COMMENTS AND RECOMMENDATIONS .....	15
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	19





**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Larry Elkins, Calloway County Judge/Executive  
Honorable Stan Scott, Former Calloway County Sheriff  
Honorable Larry W. Roberts, Calloway County Sheriff  
Members of the Calloway County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the former County Sheriff of Calloway County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the former County Sheriff for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.



To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Larry Elkins, County Judge/Executive  
Honorable Stan Scott, Former Calloway County Sheriff  
Honorable Larry W. Roberts, Calloway County Sheriff  
Members of the Calloway County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated April 15, 2003, on our consideration of the former County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Former Sheriff Had A Deficit Of \$5,127 In His Official Fee Account As Of December 31, 2001
- The Calloway County Ethics Board Should Review Financial Transactions Made By The Former Sheriff With His Deputies
- The Former Sheriff Should Have Paid Invoices In A Timely Manner
- Lacks Adequate Segregation Of Duties

Our audit was made for the purpose of forming an opinion on the financial statement taken as a whole. The schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
April 15, 2003



CALLOWAY COUNTY  
 STAN SCOTT, FORMER COUNTY SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2001

Receipts

Federal Grants

Community Oriented Policing Services	\$ 75,943	
Tri-County Drug Task Force	36,159	
Local Law Enforcement Grant	<u>7,042</u>	\$ 119,144

State Grants

Kentucky Law Enforcement Foundation		58,457
-------------------------------------	--	--------

State Fees For Services:

Finance and Administration Cabinet		87,406
------------------------------------	--	--------

Circuit Court Clerk:

Sheriff Security Service	\$ 21,208	
Court Ordered Payments	<u>11,500</u>	32,708

Fiscal Court

Employer's Share of Social Security	\$ 48,239	
Judicial Security	5,547	
Health Insurance	<u>5,926</u>	59,712

County Clerk - Delinquent Taxes

3,357

Commission On Taxes Collected

322,701

Fees Collected For Services:

Auto Inspections	\$ 17,295	
Serving Papers	<u>28,866</u>	46,161

Other:

School Security	\$ 24,328	
City of Hazel - Law Enforcement	6,261	
Sheriff's Fees	51,398	
Transporting Prisoners	3,416	
Carrying Concealed Deadly Weapon Permits	8,373	

The accompanying notes are an integral part of this financial statement.

CALLOWAY COUNTY  
 STAN SCOTT, FORMER COUNTY SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 For The Year Ended December 31, 2001  
 (Continued)

Receipts (Continued)

Other: (Continued)

Transfers From Dispatch	\$	29,000	
Insurance Reimbursements		7,176	
Student Work Program		8,852	
Equipment Sold		5,210	
Miscellaneous		<u>6,136</u>	\$ 150,150
Interest Earned			2,512
Borrowed Money:			
State Advancement	\$	190,000	
County Advancement		45,000	
Bank Notes - Vehicles and Equipment		<u>20,800</u>	<u>255,800</u>
Total Receipts			\$ 1,138,108

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$	607,722	
Sheriff's Training Incentive		<u>1,460</u>	\$ 609,182
Employee Benefits-			
Employer's Share Social Security			48,239
Materials and Supplies-			
Office Materials and Supplies			64,987
Auto Expense-			
Maintenance and Repairs			58,434

The accompanying notes are an integral part of the financial statement.

CALLOWAY COUNTY  
 STAN SCOTT, FORMER COUNTY SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 For The Year Ended December 31, 2001  
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Other Charges-

Conventions and Travel	\$	19,890	
Postage		2,515	
Carrying Concealed Deadly Weapon Permits		9,140	
Miscellaneous		6,642	
Civil Process		4,018	
Transfer To Dispatch		<u>29,000</u>	\$ 71,205

Capital Outlay:

Vehicle			4,775
---------	--	--	-------

Debt Service:

State Advancement	\$	190,000	
County Advancement		728	
Bank Note - Equipment		1,806	
Bank Notes - Vehicles		<u>18,492</u>	<u>211,026</u>

Total Disbursements	\$	1,067,848	
Less: Disallowed Disbursements		<u>1,453</u>	

Total Allowable Disbursements	\$	<u>1,066,395</u>
-------------------------------	----	------------------

Net Receipts	\$	71,713
Less: Statutory Maximum		<u>70,064</u>

Excess Fees Due County for 2001	\$	1,649
Less: Payment to County Treasurer - February 13, 2002		<u>90</u>

Balance Due County at Completion of Audit	\$	<u><u>1,559</u></u>
---	----	---------------------

The accompanying notes are an integral part of the financial statement.

CALLOWAY COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year. A schedule of excess of liabilities over assets is included in this report as a supplemental schedule. The schedule indicates the cumulative effect of prior year deficits under the respective fee official.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months of the year and 6.41 percent for the last six months of the year.

CALLOWAY COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2001  
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The former Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the former Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the former Sheriff's agent in the former Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 4. Note Obligations

The former Sheriff's office was liable for the following loans totaling \$24,091 as of December 31, 2001.

The former Calloway County Sheriff's office was liable for seven vehicle loans to Murray Bank totaling \$23,313. The interest rates range between 9.95% and 11.5% on these loans. The former Calloway County Sheriff's office was in compliance with the terms of the agreement as of December 31, 2001.

The former Calloway County Sheriff's office was liable for a vehicle loan to Area Bank in the amount \$778. The loan has an interest rate of 8.566%. The former Calloway County Sheriff's office was in compliance with the terms of the agreement as of December 31, 2001.

Note 5. Related Party Transactions

The former Sheriff purchased a 1993 Ford vehicle for \$1,025, a motor and transmission for \$1,000 and a 1997 Ford vehicle for \$3,750 from his deputies. The former Sheriff also purchased other items from his deputies: computer desk \$50; light bar \$175; and a gun holster for \$100. These purchases were made from funds of the Sheriff's office.

CALLOWAY COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2001  
(Continued)

Note 6. Grants

During the year, the former Sheriff received funds from three federal grants and one state grant. The former Sheriff received \$75,943 from a Community Oriented Policing Services (COPS) grant, \$36,159 from the Tri-County Drug Task Force, \$7,042 from a Local Law Enforcement Grant, and \$58,457 from the Kentucky Law Enforcement Foundation Fund.

Note 7. Drug Fund

The Calloway County Sheriff's office established a Drug Fund on February 14, 2000 with seizures received from various court cases. The beginning balance was \$8,847 as of January 1, 2001. Receipts were \$7,840 and disbursements were \$10,224, leaving an ending balance of \$6,463 as of December 31, 2001.

Note 8. Dispatch Fund

The Dispatch Fund was set up to pay dispatcher's salaries and purchase any dispatch equipment needed. The county disbursed funds to the former Sheriff's office as reimbursements for salaries and equipment. The beginning balance was \$7,797 as of January 1, 2001. Receipts were \$145,000 and disbursements were \$131,514 leaving an ending balance of 21,283 as of December 31, 2001.

Note 9. Deficit

The former Sheriff has a cumulative deficit of \$5,127 as of December 31, 2001. This was due to disallowed disbursements, which caused the deficit in his official account.

SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS





CALLOWAY COUNTY  
STAN SCOTT, FORMER COUNTY SHERIFF  
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS

December 31, 2001

Assets

Cash in Bank	\$ 210,507	
Deposits in Transit	<u>35,410</u>	
 Total Assets		 \$ 245,917

Liabilities

Outstanding Checks	\$ 244,993	
Outstanding Liabilities	818	
Calloway County-		
Excess Fees - 2000	3,674	
Excess Fees - 2001	<u>1,559</u>	
 Total Liabilities		 <u>251,044</u>
 Total Deficit as of December 31, 2001		 <u><u>\$ (5,127)</u></u>

The deficit is comprised of disallowed expenditures of \$3,674 from 2000 and \$1,453 from 2001. In order to make up this deficit, the Sheriff should deposit personal funds to his fee accounts.

THIS PAGE LEFT BLANK INTENTIONALLY

## COMMENTS AND RECOMMENDATIONS



CALLOWAY COUNTY  
STAN SCOTT, FORMER COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2001

STATE LAWS AND REGULATIONS:

- 1) The Former Sheriff Had A Deficit of \$5,127 In His Official Fee Account As Of December 31, 2001
- 

Former Sheriff Scott is responsible for a \$5,127 deficit in his official bank account as of December 31, 2001. This deficit results from a prior year deficit of \$3,674 and current year disallowed expenditures of \$1,453. In Funk vs. Milliken 317 S. W. 2d 499 (Ky. 1958), Kentucky's highest court reaffirmed the rule that county fee officials' expenditures of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not for personal expenses. During 2001, the former Sheriff incurred interest and penalty charges of \$1,453 due to late payments. Interest and penalty charges due to late payments are not allowed because they are not necessary expenses of the Sheriff's office. Therefore, the former Sheriff had total disallowed expenditures and a cumulative deficit of \$5,127 as of December 31, 2001. We recommend that the former Sheriff deposit personal funds into his fee account to eliminate the deficit and remit \$5,233 to the fiscal court as additional excess fees for 2000 and 2001.

*Former County Sheriff's Response:*

*None.*

- 2) The Calloway County Ethics Board Should Review Financial Transactions Made By The Former Sheriff With His Deputies
- 

The Calloway County "Code of Ethics for County Officials and Employees" states:

- No county government officer or employee shall act in his official capacity on any matter where he, a member of his immediate family, or business organization in which he has an interest has a direct or indirect financial or personal involvement that might be reasonably be expected to impair his objectivity of independence or judgment;
- No county government officer or employee shall use or allow to be used, his public office or employment, or any information not generally available to the members of the public, which he receives or acquires in the course of and by reason of his office or employment, for the purpose of securing financial gain for himself, any member of his immediate family, or any business organization with which he is associated; and
- No county government officer shall be deemed in conflict with these provisions if, by reason of this participation in the enactment of any ordinance, resolution, or other matter that is required to be voted upon or which is subject to executive approval or veto, no material or monetary gain accrues to him as a member of any business, profession, occupation, or group to any greater extent than any other gain could reasonably be expected to accrue to any other member of such business, profession, occupation or group.

The former Sheriff purchased a 1993 Ford vehicle for \$1,025, a motor and transmission for \$1,000 and a 1997 Ford vehicle for \$3,750 from his deputies. The former Sheriff also purchased other items from his deputies: computer desk \$50; light bar \$175; and a gun holster for \$100. These purchases were made from funds of the Sheriff's office.

CALLOWAY COUNTY  
STAN SCOTT, FORMER COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2001  
(Continued)

2) The Calloway County Ethics Board Should Review Financial Transactions Made By The Former Sheriff With His Deputies (Continued)

---

We recommend that the Calloway County Ethics Board review the motor and transmission purchase and vehicle purchased for compliance with the County's Code of Ethics.

*Former County Sheriff's Response:*

*None.*

3) The Former Sheriff Should Have Paid Invoices In A Timely Manner

According to KRS 65.140, all public officials shall pay vendors within 30 working days of receipt of the vendor's invoice. The former Sheriff was consistently late in paying a variety of invoices, sometimes as many as seven months late.

*Former County Sheriff's Response:*

*We were unable to pay invoices on time due to lack of funds.*

INTERNAL CONTROL:

4) Lacks Adequate Segregation Of Duties

The former Sheriff's office has a lack of segregation of duties. Due to the entity's diversity of official operations, small size and budget restrictions the official has limited options for establishing an adequate segregation of duties. The former Sheriff could have implemented compensating controls to offset this internal control weakness.

*Former County Sheriff's Response:*

*None.*

PRIOR YEAR:

The prior year comments below have not been corrected and are discussed above:

- The Former Sheriff Had A Deficit Of \$3,674 In His Official Fee Account As Of December 31, 2000
- The Calloway County Ethics Board Should Review A Vehicle Purchase Made By The Former Sheriff
- The Former Sheriff Should Have Paid Invoices In A Timely Manner
- Lacks Adequate Segregation Of Duties

REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Larry Elkins, Calloway County Judge/Executive  
Honorable Stan Scott, Former Calloway County Sheriff  
Honorable Larry W. Roberts, Calloway County Sheriff  
Members of the Calloway County Fiscal Court

**Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of receipts, disbursements, and excess fees of the former Calloway County Sheriff for the year ended December 31, 2001, and have issued our report thereon dated April 15, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the former Calloway County Sheriff's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The Former Sheriff Had A Deficit Of \$5,127 In His Official Fee Account As Of December 31, 2001
- The Calloway County Ethics Board Should Review Financial Transactions Made By The Former Sheriff With His Deputies
- The Former Sheriff Should Have Paid Invoices In A Timely Manner



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Calloway County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the accompanying comments and recommendations section.

- Lacks Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
April 15, 2003

